

## General Fund Balancing Strategy Detail

### INTRODUCTION

This Attachment is intended to provide a brief, but more detailed summary of the key actions provided for in the General Fund as part of the overall strategy to balance the 2006-2007 Adopted General Fund Budget. Specifically, by each stage of the process, both significant revisions to the original February 2006 Forecast Base Budget, as well as the key elements of the strategy to bring the General Fund into balance in the Adopted Budget are described.

In February 2006, the Administration presented to the City Council formal projections for the 2006-2007 General Fund budget as part of the *2006-2007 City Manager's Budget Request & 2007-2011 Five-Year Forecast and Revenue Projections* document. The 2006-2007 "base-case" projections in that document indicated the presence of a shortfall totaling approximately \$35.9 million. This "shortfall" represented the difference or gap between projected 2006-2007 General Fund resources and the expected cost of both current services in next year's terms, and providing for several Council "committed" augmentations (e.g., the costs of operating and maintaining new facilities).

In addition to the basic projected shortfall in the General Fund of \$35.9 million, it was noted that an additional shortfall of about \$1.4 million existed in the cost-recovery, development-related fee programs in the General Fund.

Subsequent to the release of the February Forecast, a number of revisions to both expenditures and revenue estimates were made, based on updated information, which combined, constituted the **Revised Forecast**

**Base Budget** included in the Proposed Budget.

Discussed below, the revisions to the Base Budget included a series of changes that produced a net addition in General Fund sources of \$2.2 million, and a decrease in overall costs of \$0.21 million. The combined impact of these changes to the Base decreased the basic estimated shortfall in the General Fund to be closed in the Proposed Budget slightly downward, by \$2.4 million, to the \$33.5 million amount that was addressed by our budget balancing plan. These adjustments to the Base Budget are described in more detail below.

In addition to developing a strategy to eliminate the basic \$33.5 million shortfall, a separate strategy was approved to address the shortfall (gap) (\$1.4 million) projected for the General Fund cost recovery development fee programs. In order to isolate the fee program problem and ensure that solutions were made specific to those fee programs, that gap was listed and discussed in this document separately from the basic General Fund shortfall. The development fee programs are directed by City Council policy to recover 100% of the cost of development review and inspection. The February Forecast assumed that consistent with that policy, these fee programs would develop a strategy that would completely address the shortfall. The Adopted Budget included such a strategy. Including the fee program shortfall, therefore the total gap addressed in the Proposed Budget was \$34.9 million.

The following Table (I) displays the overall projections for the 2006-2007 General Fund as they changed between February and the Adopted Budget, the impact of those revisions on the overall Adopted Budget



## General Fund Balancing Strategy Detail (Cont'd.)

### INTRODUCTION (CONT'D.)

shortfall projections, and the components of the balancing strategy. The 2006-2007 Proposed Budget contained a set of actions that increased both overall General Fund sources (by a total of \$55.1 million), and increased net costs (by \$20.2 million). The revenue changes were highlighted by the inclusion as ongoing revenue sources of three key items: extension of the Emergency Communication System Support Fee (\$10.4 million); the continuation of Cardroom Business Fees (\$9.5 million) and the use of the 2006-2007 Future Deficit Reserve (\$18.4 million). The expenditure increase was the net impact of two components: program expenditure reductions of \$7.6 million (which equated to approximately 0.6% of public safety, and 3.1% of non-public safety CSA program budgets), offset by \$27.8 million in recommended augmentations. The \$27.8 million increase, of which \$8.7 million was ongoing and \$20.1 million was one-time, included reserves to address a Transportation

Infrastructure Maintenance Backlog (\$5.3 million), for the Neighborhood Investment Fund directed by the City Council as part of the March Mayor's Budget Message (\$5.0 million), to replenish the Economic Uncertainty (\$4.0 million), to address Technology needs (\$3.5 million), and to address Facilities Infrastructure Maintenance Backlogs (\$1.0 million). The result was a balanced 2006-2007 General Fund Proposed Budget of \$846.7 million.

As described in the City Manager's letter preceding this document, the balancing strategy proposed in this document contained a combination of ongoing and one-time solutions. The overall strategy however balanced approximately 96% of the total shortfall (including the development fee program impact) with ongoing solutions totaling \$33.6 million. The amount balanced with one-time solutions was only \$1.3 million. The specific elements of the Administration's proposed strategy are displayed in Table II, and described in the material that follows.

**Table I**  
**2006-2007 ADOPTED OPERATING BUDGET**  
**Forecast To Adopted Budget Reconciliation**

	Total Sources	Total Uses	(Shortfall)/ Surplus
<b>February Forecast</b>	<b>\$ 789.45</b>	<b>\$ 825.34</b>	<b>(\$ 35.89)</b>
Forecast Revisions	2.19	(0.21)	(2.40)
<b>Revised Forecast (no fee impact)</b>	<b>791.64</b>	<b>825.13</b>	<b>(33.49)</b>
Development Fee Program Impact	0.00	1.40	1.40
<b>Revised Forecast (with fee impact)</b>	<b>791.64</b>	<b>826.53</b>	<b>(34.89)</b>
Proposed Revisions	55.05	20.16	34.89
<b>2006-2007 Proposed Budget</b>	<b>\$ 846.69</b>	<b>\$ 846.69</b>	<b>\$ 0.00</b>
Adopted Revisions	110.14	110.14	0.00
<b>2006-2007 Adopted Budget</b>	<b>\$ 956.83</b>	<b>\$ 956.83</b>	<b>\$ 0.00</b>



## General Fund Balancing Strategy Detail (Cont'd.)

### REVISED FORECAST BASE BUDGET

As discussed above, following the issuance of the February Forecast, detailed analysis of the status of General Fund revenues and expenditures continued. Based on this review, a series of changes to the Forecast Base Budget estimates for both sources and

uses were incorporated into the Proposed Budget in the form of a Revised Forecast Base. This Revised Forecast Base Budget (no fee impact) resulted in a revised shortfall estimate of \$33.5 million, down slightly (\$2.4 million) from that shown in the February Forecast.

Revisions to the source estimates contained in the February Forecast that were incorporated into the Revised Forecast included the following:

<u>Sources</u>	<u>Revision</u>
Property Tax	\$ 1,500,000
Transient Occupancy Tax	100,000
Franchise Fees	(240,000)
Utility Tax	(338,000)
Licenses and Permits	147,000
Revenue from the State of California	200,000
Revenue from the Federal Government	150,000
Departmental Charges	308,000
Miscellaneous Revisions	<u>358,000</u>
<b>Net Change in Sources</b>	<b>\$ 2,185,000</b>

Use revisions made to the February Forecast Base Budget included:

<u>Uses</u>	<u>Revision</u>
Police/Fire Retirement Rate Adjustment	\$ (809,000)
Lease Payments	329,000
Grants/Reimbursements	226,000
Miscellaneous Revisions	<u>40,000</u>
<b>Net Change in Uses</b>	<b>\$ (214,000)</b>



## General Fund Balancing Strategy Detail (Cont'd.)

### REVISED FORECAST BASE BUDGET (CONT'D.)

The largest revision was related to a \$1.5 million increase to the Property Tax estimate. Based on updated information from the County, the estimate for Secured Property Tax was expected to grow by 9.0%, a slight upward adjustment from the 8.0% used in the February Forecast. The components of the remaining net \$700,000 in revisions included:

- The 2006-2007 Transient Occupancy Tax estimate was increased by \$100,000 based on a better than expected performance of the first three quarters of 2005-2006.
- A net \$240,000 downward revision in the 2006-2007 Franchise Fee category estimate was a result of lower expectations for Gas and Electric Franchise Fees (\$370,000), partially offset by higher expectations (\$130,000) for Cable Television Franchise Fees.
- The 2006-2007 Utility Tax revenue estimate was revised downward by \$338,000 to reflect reduced expectations for Utility Tax revenue collections in 2005-2006.
- Additional revenue expected from the new fee for the sale of Off-Sale Alcohol Enforcement (\$148,000), offset by a slight reduction in the Cardroom Administration/Table Fee estimate resulted in a net \$147,000 upward revision to the 2006-2007 Licenses and Permits revenue category.
- The 2006-2007 Revenue from the State of California estimate was increased by \$200,000 to reflect a revised expectation for revenue from Highway Maintenance charges.
- The 2006-2007 Revenue from the Federal Government estimate was increased by \$150,000 to reflect expected grant funding from the California Department of Education for the California 21st Century Community Learning Centers Program.
- A net \$308,000 increase to the 2006-2007 Departmental Charges category estimate reflected inclusion of the General Plan Update Fee (\$200,000) and updates to Transportation fees and charges activity estimates (\$108,000).
- Finally a series of smaller adjustments resulted in a net increase to miscellaneous revenues of \$358,000.

Revisions to the February forecasted 2006-2007 expenditure levels included the following:

- A reduction to the Police/Fire Retirement rate applied to applicable salaries. At a recent Police/Fire Retirement Board meeting, the Plan's actuarial clarified the contribution rate to be applied in 2006-2007 which has resulted in a savings of \$809,000.
- Due to delays in the relocation of the Police training unit from leased space to the Health Building, the 2006-2007 base budget allocation for lease payments was increased by \$329,000.



## General Fund Balancing Strategy Detail (Cont'd.)

### REVISED FORECAST BASE BUDGET (CONT'D.)

- Two City-Wide expenditures were increased by a total \$226,000 to recognize a multi-year grant for Parks, Recreation and Neighborhood Services (\$150,000) and additional development revenue anticipated for Contractual Street Tree Planting (\$76,000).
- Finally all Base Budget expenditure estimates were also carefully re-examined during the time between the February Forecast and the issuance of the Proposed Budget. This review resulted in miscellaneous savings of \$40,000 in the General Fund.

### PROPOSED BUDGET BALANCING STRATEGY

Specific Council direction regarding the preparation of the Proposed Budget was provided in the Mayor's March Budget Message. The details of the specific elements of that Message and the responses contained in this budget are provided in Attachment B. Attachment C contains information regarding the status of City Auditor recommendations with funding impact.

As summarized in Table II and discussed below, the budget balancing strategy developed by the Administration resulted in a balanced 2006-2007 General Fund Proposed Budget totaling \$846.7 million. Following that is a brief discussion of the key elements of the budget balancing actions that were included in that Proposed Budget. Much more detailed descriptions of these elements are provided elsewhere in this document, or in the 2006-2007 Fees and Charges document that was published in May.



## General Fund Balancing Strategy Detail (Cont'd.)

## PROPOSED BUDGET BALANCING STRATEGY (CONT'D.)

Table II

2006-2007 PROPOSED OPERATING BUDGET  
General Fund Funding Requirements and Balancing Strategy

	2006-2007	Ongoing
<b>Revised Forecast</b>	<b>(\$ 33,489)</b>	<b>(\$ 33,489)</b>
<b>Development Fee Program Impact</b>	<b>( 1,401)</b>	<b>( 1,401)</b>
<b>Revised Forecast</b>	<b>(\$ 34,890)</b>	<b>(\$ 34,890)</b>
<b>Balancing Strategy</b>		
<b>Additional Resources</b>		
Available Fund Balance:		
2006-2007 Future Deficit Reserve	\$ 18,426	\$ 0
Unrestricted	6,123	0
e-Government Earmarked Reserve	1,310	0
Development-Related Fee Program Reserves	2,065	0
Liquidation of Encumbrances	138	0
Emergency Communication System Support Fee	10,357	20,600
Cardroom Revenue	9,500	9,500
Transfers:		
Stores Fund	700	0
Development In-Lieu Fund	2,524	0
Development-Related Fee Revenue	2,200	3,975
Other Revenue Changes	1,708	2,349
<b>Subtotal Additional Resources</b>	<b>\$ 55,051</b>	<b>\$ 36,424</b>
<b>Funding Changes by City Service Area</b>		
Community and Economic Development:		
Non-Development-Related Programs	\$ 350	\$ 439
Development-Related Fee Programs	1,607	1,293
Environmental and Utility Services	497	497
Neighborhood Services	(1,213)	(1,122)
Public Safety	571	2,402
Transportation and Aviation Services	4,873	(525)
Strategic Support:		
Neighborhood Investment Fund Reserve	5,000	0
Economic Uncertainty Reserve	4,000	0
Technology Reserve	3,500	0
Facilities Infrastructure Maintenance Backlog Reserve	1,000	0
Strategic Support	(24)	(173)
<b>Funding Changes by City Service Area</b>	<b>\$ 20,161</b>	<b>\$ 2,811</b>
<b>Total Balancing Strategy</b>	<b>\$ 34,890</b>	<b>\$ 33,613</b>
<b>Remaining Balance</b>	<b>\$ 0</b>	<b>(\$ 1,277)</b>



## General Fund Balancing Strategy Detail (Cont'd.)

### PROPOSED BUDGET BALANCING STRATEGY (CONT'D.)

#### Additional Resources

A total of \$55.1 million in additional resources with an ongoing value of \$36.4 million were recommended as part of the City Manager's proposed balancing strategy. The major elements of this increase are described below.

#### Available Fund Balance

The Proposed Budget balancing strategy included the utilization of additional Unrestricted 2005-2006 Ending/2006-2007 Beginning Fund Balance in the amount of \$28.1 million. This increase resulted from three major elements as discussed below.

The first element of the fund balance increase reflected the proposed use of Unexpended Earmarked Reserves, including the proposed liquidation of the 2006-2007 Future Deficit Reserve (\$18.4 million); the use of the E-Government Applications Reserve (\$1.3 million) to be combined with additional one-time funds to create a \$3.5 million Technology Reserve; and the use of portions of the Planning, Building, and Public Works Fee Reserves to help reduce the shortfalls in those cost-recovery fee programs (\$2.1 million).

A second element of the increased fund balance reflected additional revenue surpluses and expenditure savings in 2005-2006 that was expected to provide additional unrestricted 2005-2006 Ending/2006-2007 Beginning Fund Balance by the end of the year (\$6.0 million).

Finally, an increase in fund balance would result from a proposed increase of \$138,000

to the estimate for liquidation of prior year carryover encumbrances, reflecting additional savings from the City Attorney's Office proposed as part of the office's reduction plan.

#### Emergency Communication System Support Fee

The cornerstone of the Administration's 2006-2007 General Fund budget balancing strategy was the inclusion of \$10.4 million from the Emergency Communication System Support Fee Fund that would result from the proposed extension of this fee which was scheduled to sunset on December 30, 2006. The extension of this fee for the full fiscal year would generate an additional \$10.4 million in 2006-2007 for a half year of the fee, and \$20.6 million ongoing. Not extending this fee would have two very negative impacts. First, the Council would need to identify reductions in the amount of \$10.4 million to replace the value of extending the fee an additional six months. Included as an appendix to this document is a Tier Two Plan (the *Emergency Communication System Support Fee Contingency Plan*) containing reduction proposals in the amount of \$10.4 million that the Administration would recommend should that prove necessary. These reductions would have severe service level impacts and were by necessity heavily weighted towards reductions in Public Safety Services.

The second major impact would be ongoing. The loss of the \$20.6 million which would be realized annually by extending the fee would have a severe impact on future year budgets, almost certainly assuring the need for additional painful reductions next year and beyond.



## General Fund Balancing Strategy Detail (Cont'd.)

### PROPOSED BUDGET BALANCING STRATEGY (CONT'D.)

#### Additional Resources (Cont'd.)

##### Cardroom Revenue

Per previous City Council direction, this revenue has not been included in the General Fund Forecast in previous years, including this year, as it was directed to be treated as a one-time revenue source for budgeting purposes. Per Council direction, approved as part of the Mayor's March Budget Message, the \$9.5 million proceeds from this source were included in the Proposed Budget as part of the budget balancing strategy and treated as an ongoing revenue source.

##### Transfers

A transfer of \$2.5 million from the Developer's In-Lieu Fund was proposed to reflect reimbursement for interest earned prior to 1989 and reimbursement for costs of administering the In-Lieu Fee Program from 1989 to 2004. A one-time transfer of \$700,000 from the Stores Fund Ending Fund Balance was also proposed as part of the 2006-2007 Proposed Budget balancing strategy.

##### Development-Related Fee Revenue

Changes in development-related fee revenue estimates were expected to generate an additional \$2.2 million. A major component of this increase was proposed fee increases averaging 7.0% in the Planning, Building, and Public Works Fee Programs, combined with the use of Fee Reserves in order to maintain 100% cost recovery in the programs. Also recommended was a \$746,000 increase in Fire Permit Fees to align projected revenues with projected costs (\$302,000) and to support

program additions (\$444,000) to better meet customer's needs.

#### Other Revenue Changes

Additional revenue of approximately \$1.2 million was recommended to be added in this category, resulting from a series of specific proposals including: fee increases, revenue from the Redevelopment Agency to provide resources to implement the "Blight Busters" Program, grant reimbursements, telecommunications contract management reimbursements, as well as transfers and reimbursements from other funds and agencies.

In addition due to the combined impact of a proposed slight (\$0.15/yd) fee increase and an increase in business activity, Commercial Solid Waste Franchise Fee revenue was expected to increase by \$500,000.

#### Proposed Budget Funding Changes by City Service Area

The remainder of the balancing strategy involved a multitude of specific proposed expenditure actions, resulting in a net increase of \$20.2 million, with an ongoing value of \$2.8 million.

A listing of the proposed budget modifications is provided by City Service Area (CSA) in Table II and all of the proposals are described in greater detail in the CSA and departmental sections of the Proposed Budget document.



## General Fund Balancing Strategy Detail (Cont'd.)

### ADOPTED BUDGET BALANCING STRATEGY

The final phase of the 2006-2007 budget process commenced following the issuance of the City Manager's Proposed Budget document and consisted of the following major steps: review by the Mayor and City Council Budget Study Sessions of the Proposed Budget; issuance by Administration of recommended revisions to the Proposed Budget (in the form of formal Manager's Budget Addendums, or MBA's); formal public input through the Public Hearings process; issuance of the Mayor's June Budget Message memorandum; and approval by the City of a final Adopted Budget. A significant number of revisions to the Proposed Budget occurred in this final phase of the process and are described below.

Summarized in Table III by general category are the additional funding requirements introduced by Manager's Budget Addenda or the Mayor's June Budget Message. (Full text of the Message is included as an Appendix to this document.) Those additional requirements totaled \$110.1 million. By far the largest component of the increase was rebudgets of 2005-2006 funds (\$103.3 million) to be carried forward for the completion of various projects. Detailed descriptions of the approved changes and are provided in the specific City Service area sections of this document.



## General Fund Balancing Strategy Detail (Cont'd.)

### ADOPTED BUDGET BALANCING STRATEGY (CONT'D.)

**Table III**  
**2006-2007 ADOPTED OPERATING BUDGET**  
**General Fund Funding Requirements and Balancing Strategy**

	2006-2007	Ongoing
<b>Remaining Balance (from Table II)</b>	<b>\$ 0</b>	<b>(\$ 1,277)</b>
<b>Balancing Strategy</b>		
<b>Additional Resources</b>		
Fund Balance to Support 2005-2006 Projects	\$ 89,635	\$ 0
Augmentation-Related Revenue	6,877	1,847
Other Revenue Changes	<u>13,630</u>	<u>0</u>
<b>Subtotal Additional Resources</b>	<b>\$ 110,142</b>	<b>\$ 1,847</b>
<b>Funding Changes by City Service Area</b>		
Community and Economic Development	\$ (538)	\$ (738)
Neighborhood Services	1,422	502
Public Safety	5,812	1,678
Transportation and Aviation Services	211	0
Strategic Support:		
Neighborhood Investment Fund Reserve	(725)	0
Economic Uncertainty Reserve	(722)	0
Strategic Support	1,417	1,842
Other Funding Changes:		
Rebudgeted 2005-2006 Projects	<u>103,265</u>	<u>0</u>
<b>Funding Changes by City Service Area</b>	<b>\$ 110,142</b>	<b>\$ 3,284</b>
<b>Total Balancing Strategy</b>	<b>\$ 0</b>	<b>(\$ 1,437)</b>
<b>Remaining Balance</b>	<b>\$ 0</b>	<b>(\$ 2,714)</b>



## General Fund Balancing Strategy Detail (Cont'd.)

### ADOPTED BUDGET BALANCING STRATEGY (CONT'D.)

#### Additional Resources

As part of the City Council-approved revisions to the Proposed Budget, a total of \$110.1 million in additional resources were approved to be utilized as part of the Adopted Budget strategy. The major elements of these revisions are described below.

#### Fund Balance to Support 2005-2006 Projects

The unrestricted portion of the 2005-2006 Ending/2006-2007 Beginning Fund Balance estimated was adjusted upward from earlier estimates by an additional \$89.6 million to reflect the 2005-2006 funding which is estimated to be available to be carried over to 2006-2007 to complete previously approved projects.

#### Augmentation-Related Revenue

Actions resulting in a net increase of \$6.9 million were approved. This increase recognizes the receipt of federal and State grants in the Office of Emergency Services Police and Parks, Recreation and Neighborhood Services Departments for public safety and youth related activities and increased net income from departmental charges for increased activity at Camden and Almaden Community Centers offset by a reduction in anticipated revenue from the Young People's Theater.

#### Other Revenue Changes

Reimbursements from various local, State and federal grant programs, which were awarded but not received in 2005-2006, were reflected along with corresponding budget changes. This included various public safety and

neighborhood and literacy activities. Additional FMC Land Lease revenue of \$1.8 million from the Airport was included to reflect an amount sufficient to cover the debt service payments made from the General Fund for the portion of the FMC property dedicated to Airport uses.

#### **Adopted Budget Funding Changes by City Service Area**

Actions resulting in a net addition of \$110.1 million were approved as part of the Adopted Budget phase. The following highlights some of the more significant General Fund budget changes that were approved in the final phase of the process and have been grouped by City Service Area.

#### Community and Economic Development CSA

Partially offsetting restorations in other areas was the approved elimination of the transfer for support of the California Theater (\$750,000). Additional analysis was conducted regarding the necessity of this transfer in support of the California Theater's maintenance costs. As a result of this re-examination, it was concluded that these funds would not be necessary in 2006-2007 or in the future. Funding was approved to augment by \$12,000 the annual Veterans Day Parade and Public Works by \$200,000 for providing administrative services for the Developer In-Lieu Fee Fund.

#### Neighborhood Services CSA

Funding was approved for expanding Strong Neighborhoods city-wide (\$725,000), restoration of maintenance at the Police Athletic League's stadium (\$116,000), continuation of senior nutrition program at



## General Fund Balancing Strategy Detail (Cont'd.)

### **ADOPTED BUDGET BALANCING STRATEGY (CONT'D.)**

#### **Adopted Budget Funding Changes by City Service Area (Cont'd.)**

##### **Neighborhood Services CSA (Cont'd.)**

current levels (\$86,000), increasing staffing levels at Camden and Almaden Community Centers (\$243,000), funding to strengthen the evaluation of grant recipients for the Healthy Neighborhood Venture Fund grant process (\$100,000), and a Weed and Seed grant (\$152,000).

##### **Public Safety CSA**

Funding of \$5.8 million was included for the addition of ten new officers for downtown safety, such as cruising enforcement, curfew abatement and school safety (\$643,000); restoration of Truancy Abatement (\$294,000); restoration of Police Crime Data Specialist staffing (\$163,000); augmented School Crossing Guard program (\$35,000); and various Public Safety Grants.

##### **Transportation and Aviation Services CSA**

Funding was included for the resurfacing of portions of Bailey Avenue that are most in need of repair (\$211,000).

##### **Strategic Support CSA**

One-time funding in the amount of \$50,000 was approved for the City Clerk to monitor the new reporting requirements under the new ethics ordinance changes. Offsetting this increase were adjustments in three Strategic Support activities. They include the one-time elimination of the transfer to the Vehicle Fund for the replacement of General Fleet vehicles, this represents the fourth consecutive year in which no funds are budgeted for the replacement of vehicles in

the general fleet for a savings of \$1,750,000 (included in the proposed budget was an ongoing reduction of \$1.0 million); elimination of the Employee Parking Payment to the City's Parking Fund saving \$500,000 (included in the proposed budget was a reduction of \$115,600); and in implementing the final Interim Space Use Plan for Existing City Facilities savings of \$352,958 will be realized.

##### **Other Funding Changes**

Funding for completion of programs and projects authorized in the prior year was approved. The largest majority of the rebudgets occurred in three areas: Capital (\$12.6 million), Earmarked Reserves (\$56.9 million) and City-Wide Expenses (\$30.0 million).

##### **Future Implications**

As shown on Table III and mentioned above, a total of \$2.7 million in one-time solutions were approved as part of the strategy to balance this budget.

The most recent projections for the 2007-2008 General Fund status (as shown in the recent Five-Year Forecast document) was for a shortfall of approximately \$39.0 million that year. Assuming the basic assumptions utilized in that forecast were close to being correct, the carryover impact of the one-time measures contained in this budget would lead to an increase of \$2.7 million in the estimate and a shortfall in 2007-2008 of approximately \$42 million.